MEGA INTERNATIONAL COMMERCIAL BANK (CANADA)

ANNUAL REPORT 2014

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BOARD OF DIRECTORS: **Ying-Ying Chang**, Chairman
Meei-Yeh Wei, Director
Caesar Cheng, Director
Bernard P.Y. Hu, Director
Nae-Yee Lung, Director
Stanley Kwan, Director
Chung-Shin Loo, Director

OFFICERS:
Chung-Shin Loo
President & Chief Executive Officer
Shyh-Jer Wang
Chief Compliance Officer
Chi-Chu Liao
Vice President& General Manager of Credit Department
Chun-Jen Huang
Chief Financial Officer, Vice President& General Manager, Business Department
Jennifer Yeh
Chief Accountant
Shirley Yu
Manager, Chinatown Branch
Bao Huei Yeh
Senior Vice President & General Manager, Vancouver Branch
Raymond Lee
Manager, Richmond Branch
Tina Liao
Chief Internal Auditor

THE PARENT BANK:
MEGA INTERNATIONAL COMMERCIAL BANK CO. LTD., TAIPEI, TAIWAN
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Mega International Commercial Bank (Canada)
December 31, 2014

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Independent Auditor's Report

To the Shareholder of
Mega International Commercial Bank (Canada)

We have audited the accompanying financial statements of Mega International Commercial Bank (Canada), which comprise the statement of financial position as at December 31, 2014 and the statement of operations and comprehensive income, statement of changes in shareholder's equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Mega International Commercial Bank (Canada) as at December 31, 2014 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Deloitte LLP

Chartered Professional Accountants, Chartered Accountants
Licensed Public Accountants
March 12, 2015

Mega International Commercial Bank (Canada)
Statement of operations and comprehensive income
Year ended December 31, 2014
(in thousands of Canadian dollars, unless otherwise noted)

	2014	2013
	$	$
Interest income		
Loans	6,089	6,400
Deposits with regulated financial institutions	539	325
Other	39	3
	6,667	6,728
Interest expense - deposits	1,308	1,392
Net interest income	5,359	5,336
Provision for credit losses (Note 6)	(238)	(130)
Net interest income after provision for credit losses	5,597	5,466
Other income (Note 12)	645	566
Net interest and other income	6,242	6,032
Non-interest expenses		
Salaries and staff benefits	2,257	2,227
Premises and equipment, including amortization	920	893
Other	813	736
	3,990	3,856
Net income before provision for income taxes	2,252	2,176
Provision for income taxes (Note 13)	588	585
Net income and comprehensive income	1,664	1,591
Average number of common shares outstanding	230,000	230,000
Net income per share	7.23	6.92

The accompanying notes are an integral part of these financial statements.

Mega International Commercial Bank (Canada)

Statement of financial position

December 31, 2014

(in thousands of Canadian dollars, unless otherwise noted)

	2014	2013
	$	$
Assets		
Cash resources		
Cash	537	731
Deposits with regulated financial institutions (Note 3)	89,249	65,998
	89,786	66,729
Loans (Notes 4, 5 and 6)		
Mortgage loans	98,336	115,720
Other loans	41,313	43,870
	139,649	159,590
Deferred income taxes (Note 13)	395	460
Other		
Property and equipment (Note 7)	366	378
Other assets (Note 8)	6,061	2,055
	6,427	2,433
	236,257	229,212
Liabilities		
Deposits (Note 9)		
Payable on demand	37,973	30,432
Payable after notice	27,406	25,932
Payable on a fixed date	129,043	132,679
	194,422	189,043
Other		
Cheques and other items in transit	825	778
Other liabilities (Note 10)	1,163	1,208
	1,988	1,986
	196,410	191,029
Shareholder's equity		
Capital stock		
Authorized		
Unlimited number of voting, non-redeemable common shares		
Issued and fully paid		
230,000 common shares (par value of $100 each share)	23,000	23,000
Retained earnings	16,847	15,183
Accumulated other comprehensive income (loss)	-	-
	39,847	38,183
	236,257	229,212

Approved by the Board

______________ Director

______________ Director

The accompanying notes are an integral part of these financial statements.

Mega International Commercial Bank (Canada)

Statements of changes in shareholder's equity

Year ended December 31, 2014

(in thousands of Canadian dollars, unless otherwise noted)

	2014	2013
	$	$
Capital stock		
Balance, beginning and end of year	23,000	23,000
Retained earnings		
Retained earnings, beginning of year	15,183	13,592
Net income	1,664	1,591
Retained earnings, end of year	16,847	15,183
Accumulated other comprehensive income (loss)		
Accumulated other comprehensive income (loss), beginning of year	-	-
Change in unrealized gains/(losses) on available-for-sale securities, net of tax	-	-
Accumulated other comprehensive income (loss), end of year	-	-
Total shareholder's equitv	39,847	38,183

The accompanying notes are an integral part of these financial statements.

Mega International Commercial Bank (Canada)

Statement of cash flows

Year ended December 31, 2014

(in thousands of Canadian dollars, unless otherwise noted)

	2014	2013
	$	$
Operating activities		
Net income	1,664	1,591
Interest expense	1,308	1,392
Interest income	(6,667)	(6,728)
Adjustments to determine net cash provided by (used in) operating activities:		
Provision for credit losses	(238)	(130)
Unrealized gain of securities due to changes in fair value	-	-
Depreciation of property and equipment	32	34
Deferred income taxes	65	48
Interest paid	(1,354)	(1,381)
Interest received	6,601	6,792
Income taxes paid	(472)	(568)
Change in taxes payable	478	562
Change in other items, net	(450)	(444)
Cash flows provided by (used in) operating activities	967	1,168
Investing activities		
Loans, net of repayments	20,196	4,642
Changes in deposits with regulated financial institutions with original maturity dates greater than three months	(5,603)	(5,491)
Sales of securities	-	-
Disposal (acquisition) of property and equipment	(20)	(2)
Inward and outward documentary bills	(3,495)	(1,192)
Cash flows provided by (used in) investing activities	11,078	(2,043)
Financing activities		
Deposits, net of withdrawals	5,379	8,301
Cash flows provided by (used in) financing activities	5,379	8,301
Net increase/(decrease) in cash and cash equivalents Cash	17,424	7,426
and cash equivalents, beginning of year	42,599	35,173
Cash and cash equivalents, end of year	60,023	42,599
Represented by:		
Cash	537	731
Deposits with regulated financial institutions with original maturity dates of three months or less	60,311	42,646
Cheques and other items in transit, net	(825)	(778)
	60,023	42,599

The accompanying notes are an integral part of these financial statements.

Mega International Commercial Bank (Canada) (formerly International Commercial Bank of Cathay (Canada)) (the "Bank") is a wholly owned subsidiary of Mega International Commercial Bank Co., Ltd. The Bank is domiciled in Canada and licensed to operate as a bank in Canada under the Bank Act (1991) with full banking powers as a foreign bank subsidiary. The Bank is an individual company and does not comprise a group. The Bank's registered address is 4950 Yonge Street, Suite 1002, Toronto, Ontario Canada M2N 6K1.

1. Estimates and assumptions

The preparation of the financial statements requires management to make estimates and assumptions which include the fair valuation of certain financial assets and liabilities, the allowance for loan losses, the impairment of assets other than loans, as well as various contingencies. These estimates and assumptions affect the reported amount of assets and liabilities and disclosure of contingencies at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates. The significant accounting policies used in the preparation of these financial statements are summarized below and conform, in all material respects, to International Financial Reporting Standards ("IFRS").

2. Significant accounting policies

Classification of financial instruments

The Bank's classifications of financial assets and financial liabilities are as follows:

Cash equivalents	Loans and receivables
Deposits with regulated financial institutions	Held to maturity
Government of Canada treasury bills	Held to maturity
Other securities	Available for sale
Loans	Loans and receivables
Customers' liability under acceptances	Loans and receivables
Accrued interest receivable and other receivables	Loans and receivables
Deposits	Amortized cost, other financial liabilities
Acceptances	Amortized cost, other financial liabilities
Accrued interest payable and accrued liabilities	Amortized cost, other financial liabilities
Securities sold under repurchase agreements	Amortized cost, other financial liabilities

The carrying amount of cash excludes accrued interest.

Management has judged that the held to maturity classification is the most appropriate category for deposits with regulated financial institutions and Government of Canada treasury bills because the bank intends to and has the ability to hold these instruments until maturity.

Translation of foreign currencies

Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at rates prevailing at year-end.

Income and expense items denominated in foreign currencies are translated into Canadian dollars at the approximate average exchange rates prevailing throughout the year or at the date of the transaction.

Realized and unrealized foreign exchange gains and losses are included in other income in the statement of operations.

Cash and cash equivalents

Cash includes cash on hand and demand cash deposits. Cash equivalents are short term deposits with financial institutions with an original term to maturity of 90 days or less. Cash equivalents are classified as loans and receivables to reflect regular receipts of interest on the principal amount.

Deposits with regulated financial institutions

Deposits with regulated financial institutions are recognized at amortized cost. Interest income on interest bearing deposits is recorded using the effective interest method.

2. Significant accounting policies (continued)

Securities

The Bank records its purchase and sales of securities on settlement date. Government of Canada treasury bills, all of which are held to maturity in the Bank's investment account, are carried at amortized cost which management has judged approximates to fair value. Gains and losses on disposal of these securities are included in other income in the year of disposal.

Other securities are classified as available-for-sale and are carried at fair value, using bid price at the balance sheet date. Any changes in the fair values of other securities are recognized in Other Comprehensive Income (OCI). When the asset is disposed of, or has become impaired, the accumulated gain or loss in OCI is transferred from OCI to the Statement of Operations and recognized as net gains (losses) on invested assets and other gains (losses).

Loans

Loans are measured at amortized cost and stated net of any allowance for credit losses. Interest income is recorded using the effective interest method. A loan is classified as impaired when objective evidence demonstrates there is an indication that the loan is impaired, such as default or delinquency of interest payments and in management's opinion, there is no longer reasonable assurance of timely collection, either in whole or in part, of principal or interest.

Allowance for credit losses

The bank considers evidence of impairment for loans, advances and held to maturity instruments at both the individual asset level and the collective level. All individually significant loans, advances and held to maturity instruments are assessed for individual impairment. All individually significant loans, advances and held to maturity investments not found to be individually impaired are then collectively assessed for impairment that has been incurred but not yet identified. Loans, advances and held to maturity instruments not individually significant are grouped according to their risk characteristics and assessed for impairment collectively.

In assessing collective impairment, the bank uses statistical modeling of the probability of default and losses given default, adjusted for managements judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historic modeling.

Under normal circumstances, historical experience provides the best objective relevant information to assess inherent losses within a loan portfolio. Under certain circumstances however, historical loss experience provides less relevant information about the inherent loss in a loan portfolio at the balance sheet date. This can occur for example, where there have been changes in the economic or regulatory environment, such that the most recent trends in the portfolio risk factors are not fully reflected in the bank's models. These risk factors may include recent loan portfolio growth, bankruptcy trends, unemployment rates and economic conditions such as national and local trends in real estate markets and interest rates. These risk factors, where relevant, are taken into account when calculating impairment.

Impairment of assets carried at amortized cost is measured as the difference between the carrying amount of the asset and the present value of expected future cash flows discounted at the asset's original effective interest rate. When the asset is impaired, the instrument's carrying amount is reduced to estimated realizable value through the use of an allowance account and the amount of the loss is recognized in profit or loss. Interest income continues to be recognized on impaired amortized cost assets at the original effective interest rate.

2. Significant accounting policies (continued)

Impairment of AFS Assets

Impairment losses arising on AFS assets are measured as the difference between the asset's carrying amount and the present value of future cash flows arising on that asset. Amounts in OCI related to the impaired asset are reclassified from OCI to the income statement as impairment losses. If in a subsequent period, the fair value of an AFS asset increases and this increase can be objectively linked to an event after the impairment loss was originally recorded, the impairment loss is reversed through the income statement.

Acceptances

The Bank's liability under acceptances is reported as a liability in the balance sheet. The Bank's recourse against the customer in the event of a call on any of these commitments is reported as an offsetting asset of the same amount. Fees earned are included in other income.

Property and equipment

Land is carried at cost. All other property and equipment assets are carried at cost, less accumulated amortization. Amortization is based on their estimated useful life using straight line over the following terms:

Buildings	50 years
Vehicles and computer equipment	5 years
Furniture and fixtures	8 years
Leasehold improvements	Term of lease

The Bank reviews its property plant and equipment each balance sheet date for indications of impairment, such as physical damage or changes in the planned use of the asset.

Leasehold inducements

Cash payments from the lessor are accounted for as reductions of rental expense over the term of the lease.

Income taxes

The Bank follows the asset and liability method of accounting for income taxes, whereby deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the period that substantive enactment or enactment occurs.

Securities sold under repurchase agreements

When securities are sold subject to a commitment to repurchase them at a predetermined price ('repos"), they remain on the balance sheet and a liability is recorded in respect of the consideration received. The difference between the sale and repurchase price is treated as interest and recognized over the life of the agreement. Interest expense is recorded on an accrual basis.

Derivative financial instruments

In the ordinary course of business, the Bank enters into various foreign exchange swaps. The Bank enters into such contracts to manage its exposures to currency fluctuations as part of the Bank's asset liability management (ALM) program. Such derivatives are used to manage the Bank's own exposures.

The fair value of derivatives is recognized in Other assets or Other liabilities at that time and the gain or loss is recognized in Other income. All derivatives are carried at fair value and the resulting net gains or losses are recognized as Other income in the Statement of Income in the current period.

(in thousands of Canadian dollars, unless otherwise noted)

2. Significant accounting policies (continued)

Other income

Other income includes commission earned form the provision of services and gains or losses on foreign exchange, which are recognized as revenue. Commission income is generally earned on a straight line basis over the contract period. Foreign exchange gains and losses are recognized in the statement of operations and comprehensive income in the period to which they relate.

Financial guarantee contracts

Liabilities under financial guarantee contracts are recorded initially at their fair value, which is generally the fee received or receivable. Subsequently, financial guarantee liabilities are measured at the higher of the initial fair value, less cumulative amortization, and the best estimate of the expenditure required to settle the obligations.

Future changes in accounting policy

On July 24, 2014, the International Accounting Standards Board (IASB) published the complete version of IFRS 9 Financial Instruments, which replaces most of the guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 provides guidance on the recognition, classification, and measurement of financial assets and financial liabilities. IFRS 9 introduces a model for classification and measurement, a single, forward-looking expected loss impairment model and substantially reformed approach to hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018.

3. Deposits with regulated financial institutions

Deposits with regulated financial institutions are unsecured. An analysis of gross deposits with regulated financial institutions by remaining term to maturity and location of ultimate risk is as follows:

				2014
	Non-interest bearing	**Within 3 months**	**3 months to 6 months**	**Total**
	$	**$**	**$**	**$**
Canada	**14,163**	**44,682**	**29,002**	**87,847**
United States	**-**	**1,335**	**-**	**1,335**
Other countries	**131**		**-**	**131**
	14,294	**46,017**	**29,002**	**89,313**
Collective allowance	**(10)**	**(33)**	**(21)**	**(64)**
Total deposits with regulated financial institutions, net of Collective allowance	**14,284**	**45,984**	**28,981**	**89,249**
Average effective yield	**0.00%**	**0.98%**	**0.55%**	**0.68%**

(in thousands of Canadian dollars, unless otherwise noted)

3. Deposits with regulated financial institutions (continued)

				2013
	Non-interest bearing	Within 3 months	3 months to 6 months	Total
	$	$	$	$
Canada	11,446	30,272	23,399	65,117
United States	-	750	-	750
Other countries	178		-	178
	11,624	31,022	23,399	66,045
Collective allowance	(8)	(22)	(17)	(47)
Total deposits with regulated financial institutions, net of Collective allowance	11,616	31,000	23,382	65,998
Average effective yield	0.00%	0.90%	0.56%	0.62%

Average effective yields are based on book values and contractual interest rates.

Deposits with regulated financial institutions include amounts denominated in foreign currencies of $67,339 (2013 - $52,428).

4. Loans

a) An analysis of the Bank's loan portfolio, net of the allowance for credit losses, by category and by location of ultimate risk is as follows:

					2014
	Neither past due nor impaired	Past due but not impaired <90 Days	90 to 180 days	Impaired	
	$				$
Canada					
Residential mortgages	13,459	-	-	-	13,459
Commercial mortgages	84,727	96	-	-	84,823
Consumer loans	3,558	-	-	32	3,590
Other business loans	38,150	-	-		38,150
Other					
Residential mortgages	137	-	-	-	137
Commercial mortgages	993	-	-	-	993
Consumer loans	118	-	-	-	118
Other business loans	-	-	-	-	-
	141,142	96	-	32	141,270
Allowance for credit losses					
Mortgages loans	(1,075)	(1)	-	-	(1,076)
Other loans	(513)	-	-	(32)	(545)
	(1,588)	(1)	-	(32)	(1,621)
Total loans, net of allowance for credit losses					139,649

(in thousands of Canadian dollars, unless otherwise noted)

4. Loans (continued)

					2013
	Neither past due nor impaired	Past due but not impaired			
		<90 Days	90 to 180 days	Impaired	
	$				$
Canada					
Residential mortgages	19,360	-	-	807	20,167
Commercial mortgages	93,594	-	-	-	93,594
Consumer loans	5,100	-	-	37	5,137
Other business loans	39,204	-	-		39,204
Other					
Residential mortgages	1,516	-	-	-	1,516
Commercial mortgages	1,731	-	-	-	1,731
Consumer loans	115	-	-	-	115
Other business loans	-	-	-	-	-
	160,620	-	-	844	161,464
Allowance for credit losses					
Mortgages loans	(1,272)	-	-	(16)	(1,288)
Other loans	(549)	-	-	(37)	(586)
	(1,821)	-	-	(53)	(1,874)
Total loans, net of allowance for credit losses					159,590

(b) The following table analyzes the Bank's loan portfolio by the contractual maturity dates. This analysis excludes loans classified as impaired having a gross value of $32 (2013 -$844).

						2014
	Immediately rate sensitive	Within 3 months	3 months to 1 year	1 to 5 years	over 5 years	Total
	$	$	$	$	$	$
Loans	26,350	77,986	34,556	2,346	-	141,238
Average effective yield	4.31%	3.79%	3.79%	4.80%	-	3.88%

						2013
	Immediately rate sensitive	Within 3 months	3 months to 1 year	1 to 5 years	over 5 years	Total
	$	$	$	$	$	$
Loans	38,033	71,341	44,946	6,300	-	160,620
Average effective yield	4.27%	3.74%	3.78%	4.80%	-	3.91%

(in thousands of Canadian dollars, unless otherwise noted)

Average effective yields are based on book values and contractual interest rates, adjusted for the amortization of any deferred income. Cash interest received during the year on interest bearing instruments including loans and deposits held by the Bank was $6,628 (2013 - $6,725).

5. Impaired loans

An analysis of impaired loans is as follows:

			2014
	Gross amount	Individual allowance	Carrying amount
	$	$	$
Canada			
Mortgage loans	-	-	-
Other loans	32	32	-
	32	32	-

			2013
	Gross amount	Individual allowance	Carrying amount
	$	$	$
Canada			
Mortgage loans	807	16	791
Other loans	37	37	-
	844	53	791

In addition to an individual allowance, the Bank has a collective allowance for loans of $1,589 (2013 - $1,821)

The amount of interest accrued on impaired loans during the period was $nil (2013- $nil).

6. Allowances for credit losses

An analysis of the individual and collective allowances for credit losses is as follows:

	Individual	Collective			2014
	Loan and advances	Loans and advances	Letters of credit and guarantees	Investments and deposits	Total
		$	$		$
Balance, beginning of year	53	1,821	54	47	1,975
Recoveries	-	-	-	-	-
Write-offs	-	-	-	-	-
Provision for credit losses	(21)	(232)	(2)	17	(238)
Balance, end of year	32	1,589	52	64	1,737

(in thousands of Canadian dollars, unless otherwise noted)

	Individual	Collective			2013
	Loan and advances	Loans and advances	Letters of credit and guarantees	Investments and deposits	Total
		$	$		$
Balance, beginning of year	60	1,974	41	41	2,116
Recoveries	9	-	-	-	9
Write-offs	(20)	-	-	-	(20)
Provision for credit losses	4	(153)	13	6	(130)
Balance, end of year	53	1,821	54	47	1,975

(in thousands of Canadian dollars, unless otherwise noted)

7. Property and equipment

2014

	Cost				Accumulated depreciation				
	Opening balance	Additions	Disposals	Closing balance	Opening balance	Additions	Disposals/ writedowns	Closing balance	Net book value
				$				$	$
Land	104	-	-	104	-	-		-	104
Buildings	399	-	-	399	175	8	-	183	216
Furniture and equipment	911	20		931	861	24		885	46
Leasehold improvements	697	-	-	697	697	-	-	697	-
	2,111	20	-	2,131	1,733	32	-	1,765	366

2013

	Cost				Accumulated depreciation				
	Opening balance	Additions	Disposals	Closing balance	Opening balance	Additions	Disposals/ writedowns	Closing balance	Net book value
				$				$	$
Land	104	-	-	104	-	-	-	-	104
Buildings	399	-	-	399	167	8	-	175	224
Furniture and equipment	909	2	-	911	835	26	-	861	50
Leasehold improvements	697	-	-	697	697	-	-	697	-
	2,109	2	-	2,111	1,699	34	-	1,733	378

8. Other assets

	2014	2013
	$	$
Accrued interest receivable	445	379
Outward documentary bills	4,687	1,192
Unrealized foreign exchange gain on forward contract	793	339
Other	136	145
	6,061	2,055
Due in less than one year	6,061	2,055

(in thousands of Canadian dollars, unless otherwise noted)

9. Deposits

a) The following is an analysis of the Bank's deposits by category:

	Payable on demand		Payable after notice		Payable	2014
	Interest bearing	Non-interest bearing	Interest bearing	Non-interest bearing	on a fixed date	Total
	$	$	$	$	$	$
Canada						
Individuals	-	-	13,944	5	60,139	74,088
Businesses and deposit-taking institutions	15,163	18,709	2,000	-	-	35,872
	15,163	18,709	15,944	5	60,139	109,960
Average effective interest rate	0.16%		0.08%		1.17%	0.68%
United States						
Individuals	-	-	12	-	668	680
Businesses and deposit-taking institutions	-	160	-	-	-	160
	-	160	12	-	668	840
Average effective Interest rate			0.08%		0.55%	0.44%
Other countries	329	3,612	11,440	5	68,236	83,622
Average effective Interest rate	0.25%		0.11%		0.81%	0.68%
Total deposits	15,492	22,481	27,396	10	129,043	194,422
Average effective Interest rate	0.16%		0.09%		0.98%	0.67%

(in thousands of Canadian dollars, unless otherwise noted)

9. Deposits (continued)

	Payable on demand		Payable after notice		Payable	2013
	Interest bearing	Non-interest bearing	Interest bearing	Non-interest bearing	on a fixed date	Total
	$	$	$	$	$	$
Canada						
Individuals	-	-	15,308	5	52,004	67,317
Businesses and deposit-taking institutions	10,712	14,492		-		25,204
	10,712	14,492	15,308	5	52,004	92,521
Average effective Interest rate	0.16%		0.09%		1.17%	0.69%
United States						
Individuals	-	-	17	-	578	595
Businesses and deposit-taking institutions		189	-	-	-	189
	-	189	17	-	578	784
Average effective Interest rate			0.07%		0.74%	0.55%
Other countries	96	4,943	10,600	2	80,097	95,738
Average effective Interest rate	0.31%		0.09%		0.90%	0.76%
Total deposits	10,808	19,624	25,925	7	132,679	189,043
Average effective Interest rate	0.16%		0.09%		1.01%	0.73%

Total cash interest paid during the year by the Bank on interest bearing liabilities was $1,354 (2013 - $1,381)

Deposits payable on demand are interest bearing and non-interest bearing deposits, generally chequing accounts, where the Bank does not have the right to require notice of withdrawal. Deposits payable after notice are interest bearing deposits, generally savings accounts, where the Bank can legally require notice prior to withdrawal. Deposits payable on a fixed date are interest bearing deposits, typically term deposits, guaranteed investment certificates and similar instruments with terms ranging from one day to five years, which mature on a specified date.

Total deposits include amounts denominated in foreign currencies of $88,306(2013 - $87,675).

(in thousands of Canadian dollars, unless otherwise noted)

9. **Deposits (continued)**

b) The following table provides an analysis of deposits payable on a fixed date by contractual maturity dates:

	Within 3 months	3 months to 1 year	1 to 5 years	2014 Total
	$	$	$	$
Deposits payable on a fixed date	**55,458**	**73,585**		**129,043**
Average effective interest rate	**0.84%**	**1.08%**		**0.98%**

	Within 3 months	3 months to 1 year	1 to 5 years	2013 Total
	$	$	$	$
Deposits payable on a fixed date	51,798	80,500	381	132,679
Average effective interest rate	0.83%	1.12%	2.01%	1.01%

Average effective interest rates are based on book values and contractual interest rates.

10. **Other liabilities**

	2014	2013
	$	$
Accrued interest payable	**522**	**568**
Accounts payable and other liabilities	**635**	**640**
Income tax payable	**6**	
	1,163	**1,208**
Due in less than one year	**1,163**	**1,208**

(in thousands of Canadian dollars, unless otherwise noted)

11. Significant Segments

a) Business segment

The Bank operates in one business segment.

b) An analysis of the Bank's gross aggregate outstanding deposits with regulated financial institutions, securities, loans, and customers' liability under acceptances, by geographic location, on the basis of the location of ultimate risk, is as follows:

	2014	2013
	$	$
Canada	227,869	223,219
United States	1,335	750
Other	1,379	3,540
	230,583	227,509

c) Total interest income, based on country of residence of the borrower, is as follows:

	2014	2013
	$	$
Canada	6,640	6,652
United States	1	
Other	26	76
	6,667	6,728

There was no interest income generated in the year from cash deposits.

12. Other income

	2014	2013
	$	$
Commission income	512	530
(Loss) gain on foreign exchange	(7)	(16)
Other	140	52
	645	566

(in thousands of Canadian dollars, unless otherwise noted)

13. Income taxes

Income tax expense for the year consists of:

	2014	2013
	$	$
Current		
Current year tax expense	526	525
Adjustment(s) for prior year(s)	(3)	12
	523	537
Deferred		
Origination/reversal of temporary differences	67	55
Changes in tax rates/bases	(2)	(7)
Recognition of previously unrecognized tax loss, tax credit, or prior period temporary differences that reduces deferred tax expense	-	-
	65	48
Total income tax expense	588	585

The aggregate tax effect of available-for-sale investments accounted for in Other Comprehensive Income is ($0) (2013 – ($0)).

Income tax expense differs from the amounts computed by applying the combined federal and provincial income tax rate of 26.25% (2013– 26.11%) to pretax income as a result of the following:

	2014	2013
	$	$
Net income before income taxes	2,252	2,176
Combined Canadian federal and provincial income tax rate applied to net income before income taxes	591	568
Income taxes adjusted for the effect of:		
Differences between actual and estimated income taxes	(3)	12
Effect on deferred tax balances due to changes in income tax rate:	(2)	(7)
Other	2	12
Provision for income taxes	588	585

The change in the applicable tax rate from the prior year is due to a change in the statutory tax rate.

(in thousands of Canadian dollars, unless otherwise noted)

13. Income taxes (continued)

The tax effects of temporary differences that give rise to significant portions of the deferred income taxes are presented below:

	2014	2013
	$	$
Deferred income tax asset (liability)		
Allowance for credit losses	436	490
Other	(41)	(30)
Total deferred income taxes	395	460
Change in deferred income taxes recognized in the statement of operations		
Allowance for credit losses	(54)	(58)
Other	(11)	10
	(65)	(48)

The deferred tax asset that is expected to be realized within 1 year of the balance sheet date is $447 (2013 - $513); and the remaining balance expected to be realized is ($52) (2013 – ($53)).

14. Guarantees and credit-related commitments

a) Guarantees

In the normal course of business, the Bank enters into numerous guarantee agreements. The table below summarizes the maximum potential amount of future payments for significant guarantees the Bank has provided that are in effect on December 31, 2014 and 2013:

	2014	2013
	$	$
Guarantees and financial standby letters of credit	2,972	3,812
Performance guarantees	14	34
	2,986	3,846

The maximum potential amount of future payments represents the maximum risk of loss if there were a total default by the guaranteed parties, without consideration of possible recoveries under recourse provisions, insurance policies or from collateral held or pledged.

Guarantees and financial standby letters of credit are direct credit substitutes and represent irrevocable assurances that the Bank will make payments in the event that a customer cannot meet its financial obligations to third parties. Generally, the term of these instruments does not exceed one year.

Performance guarantees are transaction-related contingencies which back particular performance obligations rather than customers' financial obligations. Performance guarantees represent irrevocable assurances that the Bank will make payments in the event that a customer cannot meet its performance obligations to third parties. Generally, the term of these instruments does not exceed one year.

(in thousands of Canadian dollars, unless otherwise noted)

14. Guarantees and credit-related commitments(continued)

Guarantees, financial standby letters of credit and performance guarantees carry the same credit risk, recourse and collateral security requirements as loans extended to customers.

b) Credit-related commitments

In the normal course of business, the Bank enters into various off-balance sheet commitments. The primary purpose of these commitments is to ensure that funds are available to customers as required and to facilitate international trade. The table below summarizes significant credit-related commitments of the Bank and the maximum amount of additional credit the Bank could be obligated to extend should contracts be fully utilized:

	2014	2013
	$	$
Documentary and commercial letters of credit	-	-
Commitments to extend credit		
Original term of one year or less	52,715	50,735
Total	52,715	50,735

Documentary and commercial letters of credit are trade-related contingencies and are written undertakings by the Bank on behalf of a customer authorizing a third party, such as an exporter, to draw drafts on the Bank up to a stipulated amount under specific terms and conditions. The Bank is at risk for any drafts drawn that are not ultimately settled by the customer, however the amounts drawn are collateralized by the related goods.

Commitments to extend credit represent unused portions of authorizations to extend credit in the form of loans, bankers' acceptances, guarantees or letters of credit. The Bank is required at all times to make the unused portion of the authorization available, subject to certain conditions.

As many of these guarantees and commitments will expire or terminate without being drawn upon, the contract amounts are not necessarily indicative of future cash requirements or credit risk.

c) Operating lease commitments

Future obligations for leased premises are as follows:

	2014	2013
One year or less	405	401
Between one and five years	485	890
After five years	-	-
	890	1,291

The total rental expense charged in respect of buildings and equipment was $747 (2013 - $721).

(in thousands of Canadian dollars, unless otherwise noted)

15. Related party transactions

In the normal course of business, the Bank enters into transactions with its parent and affiliated companies. Such transactions are measured at fair value, which is normally the exchange amount agreed to by the related parties. Related party transactions included in the financial statements are on unsecured basis and are listed as follows:

	Parent	**Group Subsidiaries**	**Key Management**	**2014**
	$	**$**	**$**	**$**
Deposits with regulated financial institutions	**-**	**1,466**	**-**	**1,466**
Deposits	**2,329**	**1,317**	**2,069**	**5,715**
Interest income	**-**	**1**	**-**	**1**
Interest expense	**36**	**-**	**5**	**41**
Non-interest expenses	**-**	**-**	**-**	**-**

	Parent	Group Subsidiaries	Key Management	2013
	$	$	$	$
Deposits with regulated financial institutions	-	928	-	928
Deposits	8,524	1,828	1,058	11,410
Interest income	-	-	-	-
Interest expense	38	-	3	41
Non-interest expenses		-	-	-

The Bank had extended credit facilities to certain customers against letters of credit issued by Mega International Commercial Bank Co. Ltd.'s branches in Taiwan. The value of these letters of credit amounted to $1,389 (2013 - $0).

15. Related party transactions (continued)

Key management personnel compensation:

The following table indicates the compensation paid to the Key Management Personnel of the Bank in exchange for services rendered.

	2014	2013
	$	$
Salaries and short-term employee benefits	389	382
Pension and post-employment benefits	-	-
Other long-term benefits	-	-
Termination benefits	-	-
Share-based awards	-	-
Total	389	382

16. Derivative financial instruments

Derivative financial instruments are financial contracts whose value is derived from an underlying interest rate, foreign exchange rate, equity or commodity instrument or index.

The Bank uses foreign exchange swaps primarily to manage its exposures to currency fluctuations as part of the Bank's asset liability management (ALM) program. Such derivatives are used to manage the Bank's own exposures.

Foreign exchange swap contracts are transactions in which two parties exchange currencies for a predetermined period. The currencies are exchanged at inception and re-exchanged at the end of the predetermined period.

The Bank does not apply hedge accounting to any of its derivatives. All of the Bank's derivatives are recorded at fair value on the balance sheet. Gains and loss of derivatives are recognized in Non-interest income/expenses.

Derivative-related credit risk

Credit risk from derivative transactions is generated by the potential for the counterparty to default on its contractual obligations when one or more transactions have a positive market value to the Bank. Therefore, derivative-related credit risk is represented by the positive fair value of the instrument and is normally a small fraction of the contract's notional amount. The Bank established lines for each derivative products and counterparties to control the risks.

(in thousands of Canadian dollars, unless otherwise noted)

16. Derivative financial instruments (continued)

Replacement cost represents the total fair value of all outstanding contracts in a gain position. The credit equivalent amount is defined as the sum of the positive replacement cost plus an add-on amount for potential future credit exposure as defined by the OSFI. The risk-adjusted amount is determined by applying the standard OSFI-defined measures of counterparty risk to the credit equivalent amount.

	Term to maturity		
	within 1 year	2014 Total	2013 Total
	$	$	$
Over-the-counter contracts:			
1. Notional amount			
Foreign exchange swap contracts	12,761	12,761	30,844
2. Gross positive replacement cost			
Foreign exchange swap contracts	793	793	339
3. Potential Credit Exposure (1% of item 1)			
Foreign exchange swap contracts	128	128	308
4. Credit equivalent amount (Sum of item 2 & 3)			
Foreign exchange swap contracts	921	921	647
5. Risk-weighted assets (20% of item 4)			
Foreign exchange swap contracts	184	184	129

The counterparties of the Bank's derivatives are Canadian Schedule I banks.

17. Financial instruments and risk management

Risk management

Management has developed policies and procedures to enable it to respond to various business risks of the Bank. The Board of Directors reviews and approves the Bank's overall risk management policies. The Audit Committee reviews overall internal controls and recommends approval of the financial statements to the Board of Directors.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party a financial loss. The objective of the bank's credit risk policy is to minimize credit risk by assuming calculated risks with profitable returns. Management of this risk is performed by regular monitoring of its credit assets quality. The Bank made provision for credit loss based on its assessment of credit quality. The maximum credit risk exposure of the bank is equal to the carrying amount of the respective financial assets.

Measuring credit risk - loans

The Bank establishes a default risk rating for each counterparty for the credit facility. The default risk rating for the counterparty is determined using an internal system by the Bank and is based on a scale of grades (1~10). As each grade corresponds to a counterparty's probability of default.

With respect to diversification, the credit policy sets the guidelines intended to limit credit concentration by counterparty and sector of activity. The policies are periodically reviewed and approved by the Board of Directors. The following table provides additional information on the Bank's loan portfolios.

(in thousands of Canadian dollars, unless otherwise noted)

17. Financial instruments and risk management (continued)

Portfolio of industry sector:

	2014		2013	
	Authorized	Total loans	Authorized	Total loans
		$		$
Industry Sector				
Financial institutions	10,000	-	10,000	-
Merchandising	40,000	3,965	40,000	10,292
Manufacturing	40,000	1,900	40,000	1,999
Construction/Real Estate	40,000	25,681	40,000	21,332
Logging and Forestry	15,000	5,211	15,000	3,871
Mining	10,000	-	10,000	-
Transportation	5,000	229	5,000	308
Mortgages	150,000	99,411	150,000	117,008
Others	20,000	4,874	20,000	6,654
	330,000	141,271	330,000	161,464

Refer to Note 16 for credit risk on derivative contracts.

Concentration of credit risk for other financial assets is reflected by the relative groupings presented in notes 4, 5 and 6. The likelihood of impairment of other financial assets is considered low because the bank only deposits monies and invests with institutions having an investment grade credit rating.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the value of financial instruments. The objective of the bank's policy on interest rate risk is to minimize exposure to interest rate risk while maintaining profitable lending practices. To manage and control the interest rate risk, the Bank maintains an appropriate matching policy for its assets and liabilities. The Bank maintained its exposure to interest rate risk within an appropriate level according to its policy.

The following table provides the potential before-tax impact of an immediate and sustained 200-basis-point increase in interest rates on net interest income and the impact on net interest income will be negative, if there is a 200-basis-point decrease in interest rates. The sensitivity analysis assumes the impact on interest income and shareholder's equity of a 200 basis point rise across all interest bearing instruments assuming all other factors are held constant.

Interest rate sensitivity

	2014	2013
	$	$
200-basis-point increase in the interest rate		
impact on net interest income (for the next 12 months)	971	897
impact on shareholder's equity	716	663

These figures are less than 3% of Shareholder's equity, which is the maximum amount allowed according to the Bank's Interest Rate Risk Policy.

(in thousands of Canadian dollars, unless otherwise noted)

17. Financial instruments and risk management (continued)

Capital and liquidity risk

Maturity analysis for non-derivative and derivative financial liabilities as at December 31, 2014 and 2013 were:

	3 months or less	3 months to 1 year	1year to 5 years	2014 Total
	$	$	$	$
Deposit				
Demand and notice deposits	65,379	-	-	65,379
Fixed term deposits	55,458	73,585		129,043
Derivative financial liabilities		-	-	-
Cheques and other items in transit	825	-	-	825
Guarantees	1,341	833	812	2,986
Letters of Credit	-		-	-
Undrawn commitments	11,685	41,030		52,715
	134,688	115,448	812	250,948

	3 months or less	3 months to 1 year	1year to 5 years	2013 Total
	$	$	$	$
Deposit				
Demand and notice deposits	56,364	-	-	56,364
Fixed term deposits	51,798	80,500	381	132,679
Derivative financial liabilities		-	-	-
Cheques and other items in transit	778	-	-	778
Guarantees	1,336	1,752	758	3,846
Letters of Credit	-		-	-
Undrawn commitments	10,974	39,761		50,735
	121,250	122,013	1,139	244,402

Capital and liquidity risk include not meeting the minimum capital requirements or its financial obligations as set out by the Bank and the Office of the Superintendent of Financial Institutions. The Board and management regularly review various capital adequacy tests and cash flow requirements to ensure that sufficient funds are available to satisfy the capital requirements of the Board and its regulators. Refer to Note 18 for capital management.

The Bank manages its liquidity positions on a day to day basis in order to ensure it has sufficient cash and cash equivalents available to meet customer requirements and other obligations. This involves managing both liquid assets as well as diversifying sources of financing. Daily and monthly liquidity limits are set for different time periods. Daily Liquidity Report is prepared to cover the period 1 to 30 days and address wholesale funding needs. Monthly liquidity report is also prepared to address all asset and liability maturities. Refer to Note 9 for deposit maturity schedule.

(in thousands of Canadian dollars, unless otherwise noted)

17. Financial instruments and risk management (continued)

Foreign exchange risk

Foreign exchange risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Management of this risk is performed by maintaining an appropriate matching policy for its foreign currency denoted assets and liabilities. The Bank maintained its exposure to foreign exchange risk within an appropriate level according to its policy. Refer to Note 16 for foreign exchange swaps used to manage the currency risk.

The following table indicates the Bank's foreign exchange risk exposure to $US dollars at the statement of financial position date (including foreign exchange swaps). The sensitivity analysis assumes all factors are held constant except for a 1% change in the $US exchange rate against $CAD.

Foreign Exchange risk

	2014	2013
In thousand of Canadian Dollars	$	$
Overall overnight/intraday $US position:Long/(Short)	**48**	**(32)**
Effect of a 1% change in $US - $CAD exchange rates on equity	-	-

18. Capital management

Common shareholder's equity

Common shareholder's equity consists of common shares, retained earnings and accumulated other comprehensive income (loss). The Bank maintains capital to support its activities while generating a return in relation to industry standards and the Bank's risks profile.

Regulatory capital

The Bank's policy is to maintain its regulatory capital ratios consistent with regulatory requirements as defined by the Office of the Superintendent of Financial Institutions Canada (OSFI). Effective January 1, 2013, OSFI updated its CAR guideline adopting Basel III requirements set out by the Basel Committee on Banking Supervision (BCBS), in particular 'Basel III: A global regulatory framework for more resilient banks and banking systems', dated December 2010. The adoption of Basel III is intended to promote financial stability as well as strengthen the quality of capital and required target ratios. The BCBS sets out the Basel III transitional requirements for Common Equity Tier 1 (CET1), Tier 1 and Total capital ratios at 4%, 5.5% and 8%, respectively for 2014, which will be fully phased-in to 7%, 8.5% and 10.5%, respectively by January 1, 2019. OSFI expects all institutions to attain "all-in" target capital ratios of 8.5% for Tier 1 and 10.5% for Total capital by the first quarter of 2014. The Bank's total capital consists of Tier 1 capital, comprising of common shares and retained earnings. The Bank does not hold any Additional Tier 1 capital or Tier 2 capital. The Bank has decided to use the Standard Approach for the credit risk and the Basic Indicator Approach for operation risk. Capital funds are managed in accordance with policies and plans that are regularly reviewed and approved by the Board of Directors and take into account forecasted capital needs and markets. The goal is to maintain adequate regulatory capital to be considered well capitalized, protect customer deposits and provide capacity for internally generated growth.

(in thousands of Canadian dollars, unless otherwise noted)

18. Capital management (continued)

Capital structure

	2014	2013
	$	$
Common shares	23,000	23,000
Retained earnings	16,847	15,183
Total - Tier 1 capital	39,847	38,183
Total capital	39,847	38,183
Tier 1 capital ratio	22.53%	20.78%
Total capital ratio	22.53%	20.78%

Regulatory capital and capital ratios are calculated in accordance with the requirements of OSFI. As described above, as of January 1, 2013, OSFI updated its framework. Capital is managed and reported in accordance with Basel III. The Bank's issued shares each carry one vote.

19. Pension plan

The Bank contributes to the Canadian Pension Plan (CPP); a defined contribution pension plan. The total pension expense for the year was $61 (2013 - $63).

(in thousands of Canadian dollars, unless otherwise noted)

20. Interest-rate risk sensitivity

The following table summarizes the Bank's 2014 matching gap between assets, liabilities and shareholder's equity by the earlier of contractual re-pricing or maturity date.

	Floating rate	3 months or less	3 to 6 months	6 to 12 months	1 to 3 years	3 to 5 years	Non-rate sensitive	2014 Total
	$	$	$	$	$	$	$	$
Assets								
Cash resources	1,335	44,682	29,003	-	-	-	14,766	89,786
Securities	-	-	-	-	-	-	-	-
Loans	26,350	77,986	14,129	20,427	887	1,458	(1,588)	139,649
Other assets	-	3,222	1,466	-	-	-	2,134	6,822
Total assets	27,685	125,890	44,598	20,427	887	1,458	15,312	236,257
Liabilities & Shareholder's Equity								
Deposits								
Payable on demand	15,492	-	-	-	-	-	22,481	37,973
Payable after notice	25,396	2,000	-	-	-	-	10	27,406
Payable on a fixed date	-	55,459	29,524	44,060		-	-	129,043
Other liabilities	-	-	-	-	-	-	1,988	1,988
Shareholder's equity	-	-	-	-	-	-	39,847	39,847
Total liabilities & shareholder's equity	40,888	57,459	29,524	44,060	-	-	64,326	236,257
Excess (deficiency) of assets over liabilities and shareholder's equity	(13,203)	68,431	15,074	(23,633)	887	1,458	(49,014)	-

(in thousands of Canadian dollars, unless otherwise noted)

20. Interest-rate risk sensitivity (continued)

The following table summarizes the Bank's 2013 matching gap between assets, liabilities and shareholder's equity by the earlier of contractual repricing or maturity date.

	Floating rate	3 months or less	3 to 6 months	6 to 12 months	1 to 3 years	3 to 5 years	Non-rate sensitive	2013 Total
	$	$	$	$	$	$	$	$
Assets								
Cash resources	750	30,272	23,399	-	-	-	12,308	66,729
Securities	-	-	-	-	-	-	-	-
Loans	38,033	71,341	12,109	32,837	6,300		(1,030)	159,590
Other assets	-	1,192	-	-	-	-	1,701	2,893
Total assets	38,783	102,805	35,508	32,837	6,300	-	12,979	229,212
Liabilities & Shareholder's Equity								
Deposits								
Payable on demand	10,808	-	-	-	-	-	19,624	30,432
Payable after notice	25,925		-	-	-	-	7	25,932
Payable on a fixed date	-	51,798	32,457	48,043	381	-	-	132,679
Other liabilities	-	-	-	-	-	-	1,986	1,986
Shareholder's equity	-	-	-	-	-	-	38,183	38,183
Total liabilities & shareholder's equity	36,733	51,798	32,457	48,043	381	-	59,800	229,212
Excess (deficiency) of assets over liabilities and shareholder's equity	2,050	51,007	3,051	(15,206)	5,919	-	(46,821)	-

21. Fair values of financial instruments

The amounts set out in the table below represent the fair values of the Bank's financial instruments using the valuation methods and assumptions described below.

The estimated fair value amounts are designed to approximate amounts at which instruments could be exchanged in a current transaction between knowledgeable willing parties in an arms length transaction. However, many of the Bank's financial instruments lack an available trading market. Therefore, fair values are based on estimates using present value and other valuation techniques which are significantly affected by the assumptions used concerning the amount and timing of estimated future cash flows and discount rates, which reflect varying degrees of risk. Because of the estimation process and the need to use judgment, the aggregate fair value amounts should not be interpreted as being necessarily realizable in an immediate settlement of the instruments.

(in thousands of Canadian dollars, unless otherwise noted)

21. Fair values of financial instruments (continued)

The following methods and assumptions were used to estimate the fair values of financial instruments:

	2014			2013		
	Fair value	Book value	Fair value over/ (under) Book value	Fair value	Book value	Fair value over/ (under) Book value
	$	$	$	$	$	$
Financial Instruments						
Assets						
Deposits with regulated financial institutions	89,249	89,249	-	65,998	65,998	-
Loans (note 4)	139,619	139,649	(30)	159,703	159,590	113
Customers' liability under acceptances	-	-	-	-	-	-
Other Assets (note 8)	6,061	6,061	-	2,055	2,055	-
Liabilities						
Deposits (note 9)	129,044	129,043	1	132,686	132,679	7
Acceptances	-	-	-	-	-	-
Cheques and other items in transit	825	825	-	778	778	-
Other liabilities (note 10)	1,163	1,163	-	1,208	1,208	-

Due to their short-term nature, the carrying values of certain financial instruments are assumed to approximate their fair values. These financial instruments include deposits with regulated financial institutions, customers' liability under acceptances, other assets, acceptances, cheques and other items in transit and other liabilities.

The estimated fair value of loans reflects changes in credit risk and general interest rates that have occurred since the loans were originated. The particular valuation methods used are as follows:

(a) For floating rate loans, fair value is assumed to be equal to book values as the interest rates on these loans automatically reprice to market.
(b) For fixed rate loans that matured within one year are assumed to be equal to their book value
(c) For all other loans, fair value is determined by discounting the expected future cash flows of the loans at market rates for loans with similar terms and credit risks.

The fair values of deposits payable on demand, payable after notice and fixed date deposit payable on a fixed date that matured within one year, are assumed to be equal to their carrying values. The estimated fair values of fixed rate deposits payable on a fixed date over one year are determined by discounting the contractual cash flow using market interest rates currently offered for deposits with similar terms and risks.

The fair values disclosed do not reflect the value of assets and liabilities that are not considered financial instruments, such as land, buildings and equipment.

22. Fair value of assets and liabilities by category and level

The bank uses a hierarchical framework which prioritizes and ranks the level of market price observability used in measuring fair value and presents disclosures about fair value measurements. Market price observability is impacted by a number of factors, including the type of investment, the characteristics specific to the investment, and the state of the marketplace. Investments with readily-available actively quoted prices or for which fair value can be measured from actively-quoted prices in an orderly market will generally have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value.

Investments recorded at fair value on the Bank's statement of financial position are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Hierarchical levels, defined by IFRS 7 and directly related to the amount of subjectivity associated with inputs to fair valuation of these assets are as follows:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs). Fair value is determined with at least one significant model assumptions which is unobservable in the current market (i.e. limited trading volume) and therefore management exercises their judgment in determining their value.

The valuation of the Bank's assets and liabilities as of December 31, 2014 and 2013 are as follows:

				2014
		Quoted prices in active markets for identical assets	Significant other observable inputs	Significant unobservable inputs
	Total	(Level 1)	(Level 2)	(Level 3)
	$	$	$	$
Assets				
Derivative financial assets	793	-	793	-
Total	793	-	793	-
Liabilities				
Derivative financial liabilities		-		-

22. Fair value of assets and liabilities by category and level (continued)

				2013
		Quoted prices in active markets for identical assets	Significant other observable inputs	Significant unobservable inputs
	Total	(Level 1)	(Level 2)	(Level 3)
	$	$	$	$
Assets				
Derivative financial assets	339	-	339	-
Total	339	-	339	-
Liabilities				
Derivative financial liabilities		-		-

The Bank does not have any significant transfers between Level 1 and Level 2.

23. Authorization of financial statements

The Financial Statements of Mega International Commercial Bank (Canada) were authorized by its Board of Directors for issue on March 12, 2015 in accordance IFRS.